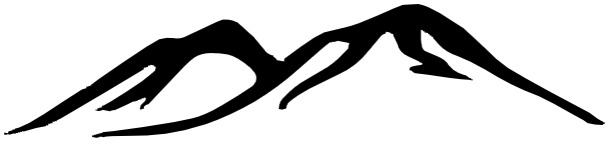
South Fork Ranches Master Homeowners
Association
Financial Statements and Report of
Independent Certified Public Accountants
December 31, 2023



Blair and Associates, P.C. Consultants and Certified Public Accountants

South Fork Ranches Master Homeowners Association

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Blair and Associates, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of South Fork Ranches Master Homeowners Association

Opinion

We have audited the accompanying financial statements of South Fork Ranches Master Homeowners Association, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Fork Ranches Master Homeowners Association as of December 31 ,2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Fork Ranches Master Homeowners Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Fork Ranches Master Homeowners Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Fork Ranches Master Homeowners Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Fork Ranches Master Homeowners Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplemental Information on Future Major Repairs and Replacements on page 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blair and Associates, P.C.

Cedaredge, Colorado

September 16, 2024

South Fork Ranches HOA
Balance Sheet
December 31, 2023

	Operating Fund	Reserve Fund	Total
Assets			
Cash and cash equivalents	$ 123,620	$ 17,599	$ 141,219
Investments	19,566	304,740	324,306
Accounts receivable	80,143	-	80,143
Note receivable	225,000	-	225,000
Entitlements	74,628	-	74,628
Capital Assets, net of accumulated depreciation	36,299	-	36,299
Total assets	$ 559,256	$ 322,339	$ 881,595
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 78,986	$ -	$ 78,986
Prepaid assessments	51,267	-	51,267
Total liabilities	130,253	-	130,253
Fund balance	429,003	322,339	751,342
Total liabilities and fund balance	$ 559,256	$ 322,339	$ 881,595

See accompanying notes

South Fork Ranches HOA

Statement of Revenue, Expenses and Changes in Fund Balance

For the Year Ended December 31, 2023

	Operating Fund	Reserve Fund	Total
Revenue			
Regular assessment	$ 256,850	$ -	$ 256,850
New Construction Road Fee	2,957	-	2,957
Mowing Income	7,467	-	7,467
Other Income	8,461	-	8,461
Interest Income	6,859	-	6,859
Gain on Investments	-	13,979	13,979
Total revenue	282,594	13,979	296,573
Expenses			
Maintenance	70,332	-	70,332
Landscaping expense	2,658	-	2,658
Insurance	16,079	-	16,079
Utilities	4,551	-	4,551
Management fees	45,000	-	45,000
Legal and accounting	3,163	-	3,163
Office expense	4,816	-	4,816
Repairs and replacements	-	331,743	331,743
Taxes	3	-	3
Transfer to (from) Reserve/Operating	125,000	(125,000)	-
Total expenses	271,602	206,743	478,345
Excess revenue over expenses	10,992	(192,764)	(181,772)
Fund balance - beginning of year	418,011	515,103	933,114
Fund balance - end of year	$ 429,003	$ 322,339	$ 751,342

See accompanying notes

South Fork Ranches HOA
Statement of Cash Flows
For the Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities	$ 10,992	$ (192,764)	$ (181,772)
Excess revenue over expenses			
Adjustments to reconcile excess revenue			
over expenses to net cash			
provided by operating activities			
(Increase) decrease in accounts receivable	(61,457)	-	(61,457)
(Increase) decrease in loan receivable	(225,000)	-	(225,000)
Increase (decrease) in accounts payable	18,070	-	18,070
Increase (decrease) in prepaid assessments	(15,045)	-	(15,045)
Net cash provided by operating activities	(272,440)	(192,764)	(465,204)
Cash flows from investing activities			
Maturity of investments	77,692	189,991	267,683
Net cash provided by investment activities	77,692	189,991	267,683
Cash flows from capital and related financing activities			
Acquistion of capital assets	(36,099)	-	(36,099)
Net cash provided by capital activities	(36,099)	-	(36,099)
Net increase in cash and cash equivalents	(230,847)	(2,773)	(233,620)
Cash and cash equivalents - beginning of year	354,467	20,372	374,839
Cash and cash equivalents - end of year	$ 123,620	$ 17,599	$ 141,219
Cash paid for:			
Income taxes	$ -	$ -	$ -

See accompanying notes

Note 1 - Summary of Significant Accounting Policies

South Fork Ranches Master Homeowners Association (the Association), a Colorado nonprofit corporation, is a homeowners association located in South Fork, Colorado. The Association was incorporated on January 1, 2002, to provide for the community, civic and social welfare of the homeowners in the common interest realty association. The Association is responsible for the maintenance of the common areas owned by the Association, including landscaping and maintenance of over 10 miles of asphalt paved roads. The Association has no employees. The Association contracts with a management agency for all services (see Note 3).

A summary of the Association's significant accounting policies follows:

Basis of Presentation

Association's financial statements are presented in accordance with the Audit and Accounting Guide for Common Interest Realty Associations published by the American Institute of Certified Public Accountants. The association follows the accrual method of accounting whereby assessments and revenues are recorded when due and expenses are recorded when incurred.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs, replacements, and acquisitions of the common areas of the Association, which is mainly for the maintenance of the roads.

Cash and Cash Equivalents

Cash and cash equivalents for the statement of cash flows consist of cash in the bank, cash on hand and money market accounts with maturities of three months or less.

Investments

The Association's investment consists of a certificate of deposits and mutual funds, which will be held to maturity and is reported at fair market value. These investments are with Edward Jones and community banks.

Total deposits and certificate of deposits were $172,340, of which, all were insured under FDIC.

Note 1 - Summary of Significant Accounting Policies – (continued)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable
Accounts receivable at the balance sheet date represent assessment fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 180 days or more delinquent. The Association considers all accounts receivable at December 31, 2023, to be fully collectible.

Income Taxes
Homeowner associations may elect to be taxed as regular corporations or as homeowners' associations. The association has elected to be taxed as a homeowner association. Under that election, the Association is generally taxed only on non-functional income, such as interest earnings, at regular federal and state corporate tax rates. The appropriate IRS elections have been made to exclude function income from taxation. Income tax expense for the year ended December 31, 2023, was $0. Association is no longer subject to U.S. Federal or State examinations by tax authorities for the years before 2016.

Note 2 - Homeowner's Fees and Economic Dependence

As of December 31, 2023, there are 459 assessed lots. All assessed lots pay the full assessment of $550.00 per lot per year.

Note 3 - Management Agreement

The Association has entered into a management agreement with the Elk Peaks Consulting Group Ltd to manage the day-to-day operations of the Association under the direction of the Association's Board of Directors. For the year ending December 31, 2023, management and accounting fees paid to the management company were $ 45,000 for general management of the entire Association.

Note 4 - Future Major Repairs and Replacements

The Association's governing documents allow funds to be accumulated for future major repairs and replacements including additions, alterations, or improvements to the 10 miles of roads. The Association conducted a study to estimate the remaining useful lives and the replacement costs of the roads.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement cost, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, the amounts accumulated in the replacement fund may not be adequate to meet future needs.

If additional funds are needed, however, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 - Fair Values of Financial Instruments

In accordance with the Fair Value Measurements of FASB Accounting Standards Codification (ASC) 820-10, assets and liabilities are grouped in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobserved assumptions reflect the Association's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

Note 5 - Fair Values of Financial Instruments – (continued)

In accordance with the Fair Value Measurements and Disclosures topic of the ASC, Association bases fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon Association's estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, which could significantly affect the results of current or future values.

Investments

Certificate of Deposits	$ 19,566
Edward Jones	
Certificate of Deposits	304,740
Totals	$324,306

Note 5 - Note Receivable

The Association has agreed to loan the Rio Grande Water Company $450,000 of which they have loaned $225,000 as of December 31, 2023. The Rio Grande Water Company is owned by the Association and therefore the entity will pay back the loan in 10 equal annual installments of $45,000, with an interest free loan, beginning on November 1, 2024.

Note 6 - Subsequent Events

The Association has evaluated subsequent events through September 16, 2024, the date at which the financial statements were available to be issued. No subsequent events were noted.

Supplemental Information

South Fork Ranches Master Homeowners
Supplemental Information on Future Major
Repairs and Replacements (Unaudited)
December 31, 2023
See Accountants Report

As required by Colorado House Bill 09-1359, the Association has adopted a Reserve Study Policy. In accordance with this Reserve Study Policy, it is the Association's intent to conduct a reserve study at such times as in its sole discretion it determines is necessary, but at least every five (5) years, to determine the necessity and amount of reserves required to maintain, repair, replace and restore the Association's common elements. The Reserve Study is based on physical analysis and financial analysis.

A reserve study was completed on August 7, 2018, which projected fund revenues and expenses out to 2025.

The Association's common elements consist of road maintenance plan.

For reserve evaluation purposes, it is assumed that all of the estimated road maintenance costs will continue to be funded annually from the operating fund or paid out of the reserve fund.

The Association's reserve fund is a separate bank account apart from the Association's operating fund bank account. During the year ended on December 31, 2023, the Association had $426,230 in reserve funds.

Reserve Fund Balance January 1, 2023	$515,103
Expenditures	(331,743)
Recognized gain on investments	13,979
Deposits to Reserve Fund	125,000
Reserve Fund Balance December 31, 2023	$ 322,339